



## **YOUR GUIDE TO SURVIVOR BENEFITS**

**NOVEMBER 2002**

**IMPORTANT!**

This guide provides answers to many questions about the Survivor Benefit Plan (SBP), the Reserve Component Survivor Benefit Plan (RCSBP), and the Retired Serviceman's Family Protection Plan (RSFPP), other annuity programs, and VSI payments to beneficiaries. If an annuitant has specific questions concerning the annuity, please write to the address listed below, or call our toll-free number: 1-800-321-1080. Overseas customers may call commercial (216) 522-5955. Our toll-free fax number is 1-800-982-8459. To expedite handling and ensure a more prompt response, please include the annuitant's name and social security number (SSN) as well as the member's name and social security number on all correspondence.

**The information in this publication is a general summary of the major annuity provisions for general information purpose only. Actual entitlement determinations must be made based upon the applicable laws and regulations.**

**NOTE:** The Defense Finance and Accounting Service (DFAS) strongly urges all annuitants and Voluntary Separation Incentive (VSI) beneficiaries living in the United States to participate in the Electronic Funds Transfer (EFT) program for their annuity or beneficiary payments. Please refer to the chapter on direct deposit for guidelines.

You can write to us at:  
Defense Finance and Accounting Service  
US Military Annuitant Pay  
PO Box 7131  
London, KY 40742-7131

Our toll-free number is: 1-800-321-1080  
Our toll-free fax number is: 1-800-982-8459

You can reach DFAS on the World Wide Web at [www.dfas.mil](http://www.dfas.mil)

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## **ABBREVIATIONS AND ACRONYMS**

ACMSS	Annuities For Certain Military Surviving Spouses
COE	Certificate of Eligibility
COLA	Cost of Living Adjustment
DFAS	Defense Finance and Accounting Service
DIC	Dependency and Indemnity Compensation
DoD	Department of Defense
FITW	Federal Income Tax Withholding
FMS	Financial Management Services
MIW	Minimum Income Widow
PIN	Personal Identification Number
PRRB	Annuity Pay Division
RCSBP	Reserve Component Survivor Benefit Plan
RIBLM	Retirement Insurance Benefit Limitation
ROE	Report of Existence
RSFPP	Retired Serviceman's Family Protection Plan
SBP	Survivor Benefit Plan
SF	Standard Form
SSA	Social Security Administration
SSO	Social Security Offset
SSBP	Supplemental Survivor Benefit Plan
SSN	Social Security Number
TD	Treasury Department
U.S.C.	United States Code
VA	Veterans Affairs
VSI	Voluntary Separation Incentive

## **GENERAL INFORMATION**

It's the annuitant's responsibility to notify Defense Finance and Accounting Service, of any change in status that affects the annuity and to provide the proper documentation. Please write to Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131 or call toll free 1(800) 321-1080. To expedite handling and ensure a prompt response, include the name and social security number of both the annuitant or VSI beneficiary and deceased member on all correspondence, including faxes.

**ACCOUNT STATEMENTS:** Once an annuity is established annuitants will receive an account statement showing the amount of annuity payable. A statement will be issued each time changes are made to the account and will state the reason for the change.

**ADDRESS CHANGES:** It is very important that annuitants keep DFAS informed of any change in their mailing address. This is necessary so DFAS can send account statements and other pertinent information to the correct address. The annuitant may notify Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131 of correspondence address changes in writing or by calling 1-800-321-1080. Changes to the bank account/address must be made in writing.

**ACCEPTABLE SIGNATURES:** COEs, ROEs, school certifications and address and tax changes may be signed :

1. By the annuitant.
2. By a natural parent who is the custodian of a minor child annuitant. Minor children may not sign their COEs or school certification documents.
3. By the legal guardian or legal representative of the annuitant. Court documents must be on file at DFAS.
4. By the representative payee of the annuitant.
5. By the annuitant's "X." Two disinterested persons must witness this. Family members are not authorized to witness the annuitant's "X."
6. By an agent acting under a power of attorney. The power of attorney document must be on file at DFAS.

**ALIEN TAX WITHHELD:** Nonresident aliens are taxed automatically at the rate of 30 percent, unless there is a tax treaty between the United States and the foreign country permitting a lesser rate. If the country in which the annuitant lives has a tax treaty with the United States, then complete a TD Form. W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding showing the country of residence. The TD Form W-8BEN may be obtained from any United States Internal Revenue Service (IRS) office, United States consulate office, or by writing Defense Finance and Accounting Service, US Military Annuitant Pay, London, KY 40742-7131 or call toll free 1(800) 321-1080. The Defense Finance and

Accounting Service will mail foreign annuitants a TD Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, at the end of each year for tax reporting purposes.

**CERTIFICATE OF ELIGIBILITY (COE):** A COE will be sent to annuitants each year prior to their birthday. Complete and return the COE promptly so DFAS can continue annuity payments without interruption. If the COE is not returned within 90 days, the account will be suspended. Please read the instructions on the COE to make sure it's completed correctly. Sign and date the form, and send it to Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131.

**FEDERAL ESTATE TAX:** The value of the annuity at the time of the member's death may be subject to Federal estate tax under certain circumstances. Annuitants should call their local Internal Revenue Service Office for information concerning the amount of annuity that may be subject to the tax.

**FEDERAL INCOME TAX WITHHOLDING (FITW):** The SBP annuity is taxable, and the Internal Revenue Code requires that income taxes be withheld, unless an annuitant elects no tax withholding on a Treasury Department (TD) Form W-4P, Withholding Certificate for Pension or Annuity Payments. The amount of taxes withheld will be computed as if the annuitant is a married person claiming three exemptions, unless the annuitant makes a different election. The amount of taxes withheld may be changed at any time by completing a TD Form W-4P, which may be obtained from the Post Office, the IRS, by contacting DFAS in writing, by calling the toll-free number. The Defense Finance and Accounting Service will mail annuitants a TD Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., at the end of each year for tax reporting purposes.

**REPORT OF EXISTENCE (ROE):** Annuitants who are in the Natural Person With Insurable Interest category will be sent a ROE each year prior to their birthday. Annuitants who receive annuity payments through foreign postal channels will also be sent a ROE annually. Complete and return the ROE promptly so annuity payments can continue without interruption. If the ROE is not returned within 90 days, the annuitant's account will be suspended. Please read the instructions on the form to make sure it's completed correctly. Sign and date the ROE and send it to Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY40742-7131.

**ROE FOR INCAPACITATED ANNUITANTS:** For incapacitated annuitants who cannot manage their own financial affairs, either a guardian must be appointed by the court, or under the provisions of 10 United States Code (U.S.C.), Section 1455, a representative payee can be appointed. For further information on appointing a representative payee, write to Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131 or call toll free 1-800-321-1080. A ROE is sent semi-annually to an annuitant that has a guardian receiving his or her funds. The annuity is not released until the ROE is returned to DFAS.

**SOCIAL SECURITY NUMBER (SSN):** Annuitants who do not have a valid SSN must obtain one as soon as possible. If the annuitant does not have a SSN and is a resident of the United States, one may be obtained from the nearest Social Security Administration office.

**STATE INCOME TAX WITHHOLDING (SITW):** State income taxes can't be withheld from an annuity at this time.

**DIRECT DEPOSIT:** In conjunction with the Debt Collection Act of 1996, Public Law 104-134, dated April 26, 1996, the Defense Finance and Accounting Service (DFAS) strongly urges all annuitants and Voluntary Separation Incentive (VSI) beneficiaries living in the United States to participate in the Electronic Funds Transfer (EFT) program for their annuity or beneficiary payments.

Direct deposit of payments through EFT is safer, more secure, and, for most recipients, more convenient than receiving hard copy checks. The FASTSTART Form FMS 2231, Direct Deposit Authorization Form DD 2762, or the Direct Deposit Standard Form SF 1199A, make the direct deposit application process very easy.

Annuitants and VSI beneficiaries provide their name, address and account information on the form and attach a voided check. Forms can be obtained from financial institutions or by writing or calling DFAS. Annuitants and VSI beneficiaries can request a form from the World Wide Web. If an annuitant or VSI beneficiary needs assistance in completing the form, our customer service representatives can assist them at 1-800-321-1080 (toll free) or commercial (216) 522-5955, during business hours, 7:00 a.m. to 7:30 p.m. eastern standard time.

**CERTIFICATION REQUIREMENTS TO CONTINUE ANNUITY PAYMENTS:** It's the annuitant's responsibility to ensure that DFAS gets the information needed to continue, change or stop the annuity payments. Send all documentation to Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131.

## **CUSTOMER SERVICE**

DFAS is committed to providing our customers with responsive, high quality, courteous service. Any comments about the service annuitants receive can be addressed to Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131. This information will be used to improve our service and to reward those providing excellent service.

## **SURVIVOR BENEFIT PLAN (SBP) ANNUITY FOR SPOUSE BENEFICIARIES**

**COMPUTATION OF THE SBP ANNUITY:** The Department of Defense Authorization Act (Public Law 99-145, November 8, 1985) implemented March 1, 1986, established a two-tiered benefit system for computing the gross SBP annuity from the elected annuity base amount. The major provisions of the system are:

1. **UNDER AGE 62:** If the annuitant is under age 62, the annuity is paid at 55 percent of the SBP annuity base amount.
2. **AGE 62 OR OLDER:** If the annuitant is age 62 or older, the gross SBP annuity is recomputed as follows:
  - a. **MEMBER ELIGIBLE TO RETIRE BEFORE OCTOBER 2, 1985:** If the member was eligible to retire before October 2, 1985, the annuity is computed in the following manner, and the annuitant receives the more favorable amount:
    - (1) Fifty-five percent of the SBP annuity base amount less the social security offset (SSO), or
    - (2) Thirty-five percent of the SBP annuity base amount.

NOTE: See c (1) below.

- b. **MEMBER ELIGIBLE TO RETIRE ON OR AFTER OCTOBER 2, 1985:** If the member was eligible to retire on or after October 2, 1985, the gross SBP annuity is 35 percent of the SBP annuity base amount.
- c. **SUPPLEMENTAL SBP:** Public Law 101-189, November 29, 1989, and Public Law 102-190, effective April 1, 1992.
  - (1) If a member elected Supplemental SBP (SSBP), the right to have the annuity computed under the social security offset method of computation is waived, regardless of whether or not it may be more beneficial to the annuitant.
  - (2) The annuity which is at 55 percent of the base amount elected by the member, plus cost of living adjustments (COLA), is recalculated at the date the spouse annuitant reaches age 62. The annuity amount paid is 35 percent of the annuity base amount (plus COLAs) plus the additional percentage of the annuity base amount as elected by the member (plus COLAs). This percentage can be a minimum of 5% to a maximum of 20% in increments of 5%.

(3) If the spouse annuitant is entitled to Dependency and Indemnity Compensation (DIC), the offset is deducted from the 35 percent annuity amount. If the DIC exceeds the 35 percent SBP amount, the spouse annuitant receives the supplemental SBP in whatever increment was elected.

(4) An open season election becomes void if the member dies before the end of the 2-year survival period beginning on the cost effective date, with the exception of members who make an open enrollment election for a spouse and that spouse was entitled, before November 1, 1990, to receive DIC based on a previous marriage to another member. If the open season election is void, the member's election would revert to any previously established coverage.

d. Public Law 105-261, Section 642, October 17, 1998, allowed for an open enrollment period from March 1, 1999 through February 29, 2000 to provide an opportunity for eligible members to elect to participate in or increase their current level of participation in SBP.

1. The member must live for two years for the open enrollment election to be valid. If the member doesn't live for the required two-year period, the election is void and reverts to any previously established coverage.
2. If the member makes an election during this open enrollment period, the right to have the annuity computed under the social security offset method is waived. The annuity will be recalculated at age 62 at 35% of the annuity base amount plus any supplemental amount elected by the member (either 5, 10, 15 or 20%). The total annuity amount payable cannot exceed 55%.
3. The member must pay a onetime buy-in premium to make an open enrollment election. Payments to the annuitant are non-taxable up to this dollar amount.
4. If the member had a prior RCSBP election and makes an open enrollment election to increase coverage, the RCSBP cost for the prior election will be used in calculating the annuity, even though the new election is considered an SBP election.

**RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP):** RCSBP annuitants receive less than 55 percent or 35 percent of the elected RCSBP annuity base amount because costs for the coverage are required to be deducted from the annuity. Reserve members do not pay cost premiums until reaching age 60.

**REMARRIAGE OF ANNUITANTS BEFORE AGE 55:** The SBP annuity stops the first of the month in which annuitants remarry. Please notify DFAS promptly to prevent an overpayment of the annuity. If the marriage ends by death, divorce, or annulment, DFAS will reinstate the SBP annuity when documents are provided verifying the marriage was terminated.

**REMARRIAGE OF ANNUITANTS AFTER AGE 55:** The SBP annuity will continue to pay without interruption if an annuitant remarries. The annuitant should send DFAS a copy of the marriage certificate and instructions for name and address changes, if applicable. If the SBP annuity was reduced by Dependency and Indemnity Compensation (DIC), DFAS will restore the full SBP annuity amount after the Department of Veterans Affairs (VA) provides DFAS with the date the DIC was terminated. The total refund of SBP costs made when the

DIC was awarded must be repaid. The amount due may be repaid in either a lump sum or in installments. If repayment is in installments, the installment payments will be deducted from the SBP annuity payable. The deductions, will be 50 percent of the DIC amount or 50 percent of the gross annuity, whichever is less. The annuitant's taxable income will be reduced by the amount applied to the debt.

**CHILDREN'S ENTITLEMENT:** If the member elected coverage for spouse and children, the full amount of the annuity is payable to the spouse annuitant as long as that spouse remains eligible. When the spouse annuitant is no longer eligible because of remarriage or death, the eligible children of the member are entitled to the full SBP annuity. Please refer to the chapter titled Survivor Benefit Plan Annuity-Child Beneficiaries for eligibility requirements. Please notify DFAS immediately of the death or marriage before age 22 of any potential child annuitant.

### **RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) ANNUITY - SPOUSE BENEFICIARIES**

**REMARriage OF ANNUITANTS BEFORE AGE 60:** RSFPP annuities cease the first of the month in which an annuitant remarries. Please notify DFAS promptly to prevent an overpayment of the annuity. If death or divorce terminates the marriage, the annuity cannot be reinstated. RSFPP annuities are reinstated only if documents are provided which verify the annulment of a "void" marriage.

**REMARriage OF ANNUITANTS AFTER AGE 60:** The RSFPP annuity will continue to pay without interruption if annuitants remarry. Please send DFAS a copy of the marriage certificate and instructions for name and address changes, if applicable.

**CHILDREN'S ENTITLEMENT:** If the member elected coverage for spouse and children, the full amount of the annuity is payable to the spouse annuitant as long as the annuitant remains eligible. When the spouse is no longer eligible because of remarriage or death, the eligible children of the member are entitled to the full RSFPP annuity, which would be divided equally among any eligible children. Please refer to the chapter titled Retired Serviceman's Family Protection Plan-Child Beneficiaries for eligibility requirements.

### **SOCIAL SECURITY OFFSET (SSO)**

**Applicable to SBP spouse and ex-spouse (spouse category) annuitants only**

**CONGRESSIONAL RULING ON SSO:** When Congress was considering the SBP law, they recognized that in most instances the survivor would receive benefits far exceeding any amount paid by the member to provide survivor coverage under SBP and social security. Since the U.S. Government pays benefits received in excess of the cost to the member, Congress decided that the survivor could not receive the full entitlement for both social security and SBP. Therefore, Congress provided that the amount of the social security benefit be deducted (offset) from the monthly SBP annuity payment once the annuitant reaches age 62.

**ENTITLEMENT TO SOCIAL SECURITY BENEFITS:** The SBP payments made to annuitants who are entitled to social security benefits on the member's social security account by law must be offset even though the annuitant may not be receiving those benefits. If annuitant is not entitled to benefits on the member's social

security account, written verification from the Social Security Administration (SSA) must be on file before the offset can be stopped.

**COMPUTING THE OFFSET:** The actual computation of the SSO is based solely on the member's active duty military earnings from January 1, 1957 through the date of retirement or date of death, whichever occurs first. Civilian earnings or the social security benefits the annuitants earn in their own right are not considered in computing SSO. The SSO is not calculated on a ratio of military vs. civilian earnings, but rather on a complex formula also used by the SSA.

**MAXIMUM OFFSET:** The offset can't exceed 40 percent of the adjusted gross SBP annuity. The adjusted gross annuity is the gross SBP less Dependency and Indemnity Compensation (DIC), if applicable.

**COMPUTATION OF THE SBP ANNUITY:** The Department of Defense Authorization Act (Public Law 99-145, November 8, 1985) implemented March 1, 1986, established a two-tiered benefit system for computing the gross SBP annuity from the elected annuity base amount. **NOTE:** Public Law 99-145 actually reduced the SSO for almost all annuitants. It not only limited the SSO to 40% of the gross annuity but also provided for paying a minimum of 35% if the 55% less SSO was a smaller amount.

The major provisions of the system are:

1. **UNDER AGE 62:** If the annuitant is under age 62, the annuity is payable at 55 percent of the SBP annuity base amount.
2. **AGE 62 OR OLDER:** If the annuitant is age 62 or older, the gross SBP annuity is recomputed as follows:
  - a. **MEMBER ELIGIBLE TO RETIRE BEFORE OCTOBER 2, 1985:** If the member was eligible to retire before October 2, 1985, the annuity is computed in the following manner, and the annuitant receives the more favorable amount:
    - (1) Fifty-five percent of the SBP annuity base amount less the SSO, or
    - (2) Thirty-five percent of the SBP annuity base amount.
  - b. **MEMBER ELIGIBLE TO RETIRE ON OR AFTER OCTOBER 2, 1985:** If the member was eligible to retire on or after October 2, 1985, the gross SBP annuity is 35 percent of the SBP annuity base amount.

**THE EFFECT OF COST OF LIVING ADJUSTMENTS (COLAs) TO THE OFFSET:**

1. **Maximum Offset:** If the SBP annuity offset by the full 40 percent, the offset will increase when the SBP annuity increases due to a COLA. It will also decrease if DIC increases.
2. **Less Than 40 Percent Offset:** If the SBP annuity is offset by less than the 40 percent, the offset increases each time there is a COLA to social security benefits; it does not increase when the SBP annuity increases or when the DIC changes.

**IF THE SOCIAL SECURITY BENEFIT AN ANNUITANT RECEIVES IS BASED ON THEIR**

**OWN EARNINGS:** DFAS must offset the annuity if the annuitant is entitled to social security benefits on the member's account even though the benefits received from Social Security, or a portion of those benefits, are based on annuitant's own earnings.

**IF THE ANNUITANT HASN'T APPLIED FOR SOCIAL SECURITY BENEFITS:**

DFAS must offset the annuity if the annuitant is entitled to social security benefits on the member's account even though the annuitant may not have applied for the benefits. (As an exception, see the next paragraph.)

**WORKING WIDOW/ER - BENEFITS REDUCED BECAUSE OF EARNINGS:** If an annuitant is working and isn't entitled to social security benefits, or the annuitant is receiving reduced benefits because of excess earnings, the SSO can be reduced or suspended. Verification must be received from the SSA, as explained below, before DFAS-PRRB/DE can adjust an annuitant's account.

**WHEN THE OFFSET FROM THE ANNUITY EXCEEDS THE SOCIAL SECURITY BENEFIT:**

Conditions that may cause the offset from the annuity to exceed the social security benefit are listed below, followed by instructions for reducing the social security offset when this occurs:

1. If the annuitant is in receipt of a Government pension, the social security benefits may be reduced.
2. If the annuitant's spouse received non-disability retirement benefits before age 65, the social security benefits may be reduced because of the Retirement Insurance Benefit Limitation (RIBLM).

**TO PREVENT OR REDUCE THE OFFSET:** Defense Finance and Accounting Service (DFAS) sends the annuitant a DFAS-DE Form 2203, 60 days prior to the annuitant's 62nd birthday. The DFAS-DE Form 2203 must be completed by the SSA, and mailed to Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131 to prevent or reduce the Social Security Offset.

1. If the annuitant isn't entitled to benefits on the member's account, contact SSA for a written statement specifying that the annuitant is not entitled to social security benefits, the period of non-entitlement, and the reason the annuitant isn't entitled. (It is not sufficient to state that annuitant isn't receiving benefits - DFAS must know the reason the annuitant isn't receiving them.)
2. When annuitants social security benefits are reduced or stopped because of excess earnings, the annuitant must contact the SSA for a written certification. The SSA must certify the reason for the reduced or stopped benefits and include the total benefit amounts before and after the reduction and the period covered. DFAS requires recertification yearly when the annuitant's SSO is reduced or stopped. It is the annuitants' responsibility to provide DFAS with the recertification every year before April 1. If DFAS does not receive the recertification, DFAS will automatically restart the full SSO retroactive to January 1 of that year.
3. If an annuitant's social security benefits are reduced due to receipt of Government pension, contact the SSA for a written statement that includes the full social security benefit amount, the reduced social security benefit amount, and the effective dates of those benefits.

4. If an annuitant's social security benefits are reduced due to RIBLM, contact the SSA for a written statement that the annuitant is receiving reduced benefits and have them provide the effective date of the non-disability benefits paid to the member.

**ADJUSTMENTS TO SSO:** When DFAS receives the statement from the SSA, DFAS will determine if they can adjust the SSO. If DFAS reduced or stopped the SSO, the annuitant will receive a refund based on the period covered in the SSA statement. If DFAS receives documentation indicating they must retroactively start the offset, DFAS will start the offset and collect any debt owed from the SBP annuity.

### **DEPENDENCY AND INDEMNITY COMPENSATION (DIC) FOR SPOUSE ONLY**

The VA determines entitlement to and the amount of the DIC award. If DIC is awarded, the SBP annuity must be reduced by the amount of the DIC award. The SBP annuity is terminated if the DIC is greater than the SBP. However, if an annuitant receives DIC based on a member other than the one providing SBP, there will not be a DIC reduction.

Each annuitant signs a DIC authorization statement when they submit their annuity application. This allows DFAS to establish their SBP annuity prior to notification from the VA regarding their entitlement to DIC. This prevents delays in SBP payments.

**GLENN BILL:** Under Public Law 101-189, November 29, 1989, and Public Law 102-190, effective April 1, 1992, if the member elected Supplemental SBP, the annuity amount would be 35 percent of the annuity base amount plus an additional percentage of the annuity base amount as elected by the member. If the DIC exceeds the 35 percent SBP amount, the annuitant will receive the supplemental SBP in whatever increment was elected.

If the annuitant is awarded DIC, the following conditions apply:

1. If the monthly DIC benefit exceeds the SBP monthly annuity, the amount of SBP annuity paid prior to notification of the DIC award, not including the month of death, is an overpayment. If the DIC monthly benefit does not exceed the SBP monthly annuity, the amount of SBP overpayment will be the amount of DIC awarded prior to notification. See number 3 for more information on overpayments.

2. Once DFAS receives all of the necessary information from the VA, the annuitant will be due a refund of all or part of the SBP costs paid into the plan by the member (SBP cost refund) if the DIC award is made retroactive to date of death. The SBP cost refund will be applied to any SBP overpayment or other indebtedness, and a check for the remaining balance, if any, will be forwarded to the annuitant. The SBP cost refund is fully taxable and will be included as taxable income on the TD Form 1099-R annuitants receive at the end of the year.

3. Depending on the amount of the overpayment, it will either be collected from the SBP cost refund, referred to the VA for collection from the annuitant's DIC payment, or a combination of both. Annuitants will be advised of the method of collection and sent an account statement showing the SBP cost refund less any overpayment collected when the SBP cost refund is processed. The annuitant's taxable income will be increased by the amount of the cost refund and reduced by the amount applied to the overpayment. The taxable income will be adjusted

when the overpayment is collected. An annuitant may receive a tax deduction or tax credit, as appropriate if the overpayment is collected after the tax year in which the overpayment occurred.

4. Since SBP costs aren't paid by members who die while on active duty, or by Reservists who die before retirement, there will be no refund of costs. The overpayments will be referred to the VA for collection from the annuitant's DIC.

5. Annuitants can reduce the amount of the SBP overpayment by notifying DFAS at once when DIC has been awarded. Please furnish DFAS a copy of the award letter from the VA.

6. Since DIC benefits are nontaxable, DFAS encourages annuitants to apply for DIC if they have not done so.

7. If the DIC effective date is past the first anniversary of the member's death, the annuitant has received benefit from receipt of the SBP and does not receive a cost refund.

## **SURVIVOR BENEFIT PLAN ANNUITY CHILD BENEFICIARIES**

**REQUIREMENTS FOR ELIGIBILITY:** The child annuitant must meet the following requirements to be eligible for the SBP/RCSBP annuity:

1. The child must have been the member's dependent at the time of death. If there is an unborn child of the member, the annuity is payable to that child effective the month in which the child is born.

2. The child must either be under age 18 and unmarried, or between ages 18 and 22, unmarried, and a full-time student at a recognized educational institution.

a. A child is considered a full-time student between school terms if the break is not more than 150 days and the child intends to continue school full time immediately following the break.

b. When a child attends school full time and the child's birthday is between September 1 and June 30, entitlement stops July 1 following the 22nd birthday. Otherwise, if the child's birthday is in July or August, the annuity stops the first of the month in which the annuitant reaches age 22.

c. Entitlement to the annuity stops effective the first day of the month in which a child reaches age 22, leaves school, is less than a full time student (between ages 18 and 22), or marries, whichever occurs first. Child annuitants who marry (at any age), or leave school, or are less than full time students (between ages 18 and 22) have the responsibility to notify DFAS immediately in order to prevent an overpayment. The annuity can be reinstated only if the marriage is annulled and rendered "void".

**INCAPACITATED CHILDREN:** The SBP/RCSBP annuity is payable to an unmarried, incapacitated child over age 18 as follows:

1. The child must be incapable of self support because of a physical or mental disability which existed before the 18th birthday or was incurred before age 22 while pursuing a full-time course of study.

2. The incapacity must be substantiated by a current medical report.
3. If the medical report certifies that the disability is permanent, the annuity is payable for the lifetime of the annuitant.
4. If the disability is not permanent, medical certification must be sent to DFAS every 2 years in order to receive continuous annuity payments.
5. If the annuitant recovers from the incapacity and becomes capable of self-support, the annuity is stopped.
6. For annuitants who are unable to manage their financial affairs, either a guardian must be appointed by the court, and guardianship documents must be forwarded to DFAS before the annuity can be paid, or under the provisions of 10 U.S.C., Section 1455, a Representative Payee can be appointed. For further information on appointing a Representative Payee, write to DFAS.

**DISTRIBUTION OF ANNUITY PAYMENTS:** When children are named as the beneficiaries of an SBP/RCSBP annuity, the annuity is distributed as follows:

1. If there is only one surviving eligible child, the full amount of the annuity is paid to the child.
2. If there are two or more surviving eligible children, the annuity is paid in equal shares. As each child becomes ineligible, his or her share is paid in equal portions to the remaining eligible children. When there are no longer any eligible children, the SBP/RCSBP annuity is stopped.
3. The annuity is payable to the custodian, guardian, or Representative Payee of minor children. The custodian must be a natural or adoptive parent of the children. The annuity will pay directly to the child annuitant when the child is considered an adult according to the laws of the state of residence (age of majority).

**SCHOOL CERTIFICATION:** Child annuitants over age 18 (and not incapacitated) must be unmarried full-time students to continue receiving annuity payments. A school certification form is sent before the annuitant reaches age 18; thereafter, the form is sent before the end of each school term to verify past attendance and certify future intent to continue school. If the school certification form is not returned before the date the school term ends (or by the month of the 18th birthday), the annuity is suspended pending school certification. If the child no longer is a full-time student, the annuity is reapportioned to the other eligible children. Please ensure the school certification is properly completed and promptly returned to DFAS-PRRB/DE to prevent payment interruption.

#### **RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) ANNUITY - CHILD BENEFICIARIES**

**REQUIREMENTS FOR ELIGIBILITY:** The child annuitant must meet the following requirements to be eligible for the RSFPP annuity:

**NOTE:** Since Public Law 92-425, September 21, 1972, terminated RSFPP elections for members who retired on or after that date, the only children who are now eligible for RSFPP annuities are those incapable of self-support for a physical or mental handicap that existed prior to that child's 18th birthday.

**INCAPACITATED CHILDREN:** The RSFPP annuity is payable to an unmarried incapacitated child over age 18 as follows:

1. The child must have been born before the member retired.
2. The child must be incapable of self-support because of a physical or mental disability, which existed before the 18th birthday.
3. The child must remain unmarried.
4. The incapacity must be substantiated by a current medical report.
5. If the medical report certifies the disability is permanent, the annuity is payable for the lifetime of the annuitant.
6. If the disability is not permanent, medical certification must be sent every 2 years for continuous annuity payments.
7. If the annuitant recovers from the incapacity and becomes capable of self-support, the annuity is stopped.
8. If the annuitant is unable to manage his or her financial affairs, either a guardian must be appointed by the court, and guardianship documents must be forwarded to DFAS before the annuity can be paid, or under 10 U.S.C. Section 1455, a Representative Payee can be appointed. For further information on appointing a Representative Payee, write to DFAS.

**DISTRIBUTION OF ANNUITY PAYMENTS:** When children are named as the beneficiaries of an RSFPP annuity, the annuity is distributed as follows:

1. If there is only one surviving eligible child, the full amount of the annuity is paid to that child.
2. If there are two or more surviving eligible children, the annuity is paid in equal shares. As each child becomes ineligible, his or her share is paid in equal portions to the remaining eligible children. When there are no longer any eligible children, the RSFPP annuity is stopped.
3. The annuity is payable to the custodian, guardian, or Representative Payee of minor children. The custodian must be a natural or adoptive parent of the children. The annuity will pay directly to the child annuitant when the child is considered an adult according to the laws of the state of residence (age of majority).

**SURVIVOR BENEFIT PLAN MINIMUM INCOME WIDOW (MIW) ANNUITY:**

Public Law 92-425, September 21, 1972, as amended, established and governs the MIW annuity. The MIW annuity is payable to widows receiving a Spanish-American War (SAW) pension. The MIW annuity is payable to a widow who on Sep 21, 1972, was or during the period beginning on Sep 22, 1972, and ending on Mar 20, 1974, became a widow of a person who was entitled to retired or retainer pay when he died. Also the MIW

annuity is payable to widows who are not otherwise entitled to an annuity under other provisions of the SBP plan or to Dependency Indemnity Compensation from the Department of Veterans Affairs.

**CONDITIONS FOR CONTINUED RECEIPT OF THE ANNUITY:**

1. The spouse annuitant must be entitled to a widow's pension from the Department of Veterans Affairs (VA).
2. Spouse annuitants must remain unmarried. Remarriage stops their entitlement to any further annuity payment even if the remarriage ends by death or divorce. If the remarriage is annulled, the annulment documents should be sent to DFAS for a determination of possible reinstatement of the annuity.
3. The spouse annuitant's income from all sources must remain below the maximum income level in effect during any earning period.

**ADJUSTMENT TO THE ANNUITY:** The MIW income for VA purposes will be adjusted according to the law under which the spouse annuitant is entitled.

1. The income for VA purposes of spouse annuitants who receive a VA pension under the "old" law, section 306, will be frozen at the amount they reported to the VA in December 1978. The annuity will be adjusted by the changes in the maximum income level established by law.
2. The income for VA purposes of spouse annuitants who elect a VA pension under the "new" law, PL 95-588, November 4, 1978, will change based on the other income reported to the VA each year and their MIW annuity will be adjusted accordingly.

**FORGOTTEN WIDOWS SURVIVOR BENEFIT PLAN**

The SBP was amended by Public Law 96-402, October 9, 1980, to provide payment of an annuity to a widow/er of a member of the military service who died on active duty before September 21, 1972 and who was eligible for retirement at death.

**OFFSETS TO THE ANNUITY:** Refer to Dependency and Indemnity Compensation (DIC) for more information on DIC. Refer to Social Security Offset (SSO) for more information on SSO.

**ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)**

Public Law 105-85, November 18, 1997 and Public Law 106-65, October 5, 1999, provides an annuity for certain military surviving spouses of members who did not decline participation in the Survivor Benefit Plan and either:

1. Retired before September 21, 1972, and died before March 21, 1974, and were entitled to retired or retainer pay on the date of death;

2. Were members of a Reserve Component of the Armed Forces before October 1, 1978, and at the time of the member's death would have been entitled to retired pay under Chapter 67 of Title 10, United States Code (as in effect before December 1, 1994), but for the fact that he or she was under 60 years of age.

Note: Public Law 106-65 expanded coverage to surviving spouses of all 'Gray-Area' retirees. The original law was amended to also cover retirees who were members of a Reserve Component of the Armed Forces and died before September 21, 1972. The payment effective date for these 'Gray Area' retirees is October 1, 1999. The payment effective date for widows of retirees who were members of a Reserve Component during the period beginning September 21, 1972, and ending October 1, 1978 and who died before October 1, 1978, is December 1, 1997.

3. A qualified surviving spouse for purposes of this section is a surviving spouse who meets the requirements in either 10 U.S.C 1447 (7) or (8) and who has not remarried and who is not eligible for an annuity under section 4 of Public Law 92-425 (10 U.S.C. Section 1448 note)(MIW) and who is not qualified for an annuity under any other provision of Chapter 73 of Title 10, United States Code.

The amount of annuity payable will be adjusted by cost of living increases (COLI) at the same time and by the same percentage, as retired pay.

Public Law 106-65 provides permanent authority for payment of annuities.

A claim is required. No benefits shall be paid to any person under this act unless a claim for such benefits is filed with the Secretary by or on behalf of such person.

**OFFSETS TO THE ANNUITY:** Dependency and Indemnity Compensation (DIC) offset ACMSS benefits. Refer to Dependency and Indemnity Compensation section for more information on DIC.

## **SURVIVOR BENEFIT PLAN (SBP) ANNUITY FOR FORMER SPOUSE AND NATURAL PERSON WITH INSURABLE INTEREST BENEFICIARIES**

### **FORMER SPOUSE BENEFICIARIES:**

1. Former spouse elections made after March 1, 1986 are paid under the spouse category. Social Security offset is applicable to these annuities. A former spouse is eligible for SBP if they were the member's former spouse when the member became eligible to participate in SBP and the member elected them as beneficiary. If the member elects spouse or spouse and child coverage at date of eligibility and subsequently becomes divorced, the member or the former spouse has one year from the date of divorce to change the election to former spouse coverage.

**NOTE:** SBP coverage for spouse is not specific for an individual. Coverage does not continue for a spouse who subsequently becomes a former spouse unless the election is changed to former spouse.

2. Former spouse elections made prior to March 1, 1986 are paid under the natural person with insurable interest category. Coverage for children is not available if the former spouse is paid under the natural person with insurable interest category.

**NATURAL PERSON WITH INSURABLE INTEREST BENEFICIARIES:** Elections for Natural Person With Insurable Interest may be made when the member has no spouse or dependent children and the person has a reasonable and lawful expectation of monetary benefit from the life of the member. A member who is not married but has a dependent child may elect SBP coverage for that child under the Natural Person With Insurable Interest category. This type of SBP annuity election is made for a specific individual and is not transferable to another person. The annuity amount payable is 55% of the member's gross retired pay at death, less cost. The SBP annuity is not subject to Social Security Offset and the Natural Person With Insurable Interest can be married or marry at any age. The annuity does not terminate until death of the annuitant.

#### **VOLUNTARY SEPARATION INCENTIVE**

Public Law 102-190, December 5, 1991, established the Voluntary Separation Incentive (VSI) program. The VSI program is a separation benefit program offered to certain mid-career service members of the Armed Forces in over-strength career fields to encourage the members to leave active duty voluntarily.

The service member may designate beneficiaries to receive VSI installments that remain unpaid after the member's death. This program allows for VSI payments to beneficiaries in the event of the member's death.

Designations are made on the VSI Beneficiary Designation Form, DFAS-CL 1900/2. The member may designate different percentages to be received by multiple recipients. In the event the member does not make a percentage election, the payments will be divided equally among the designated beneficiaries.

Notification of a service member's death is sent to Defense Finance and Accounting Service, PO Box 998011, Cleveland, OH 44199. The death certificate can be faxed to (216) 522-6496. Upon receipt of proper notification and proof of death, DFAS closes out the member's active VSI account and establishes beneficiary payment. DFAS will notify the beneficiaries of their entitlement to the member's future VSI payments. A claim from the beneficiaries must be received by Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131 before any payments can be made. Beneficiary payments will be made in annual installments. Payment of the remaining VSI installments will be made by DFAS to the designated beneficiaries.

If a valid designation was not made or received, payments will be distributed in accordance with the order of precedence contained in 10 U.S.C. Section 2771.

Annual payments will be paid to the beneficiaries on the anniversary date of the member's separation for the remainder of the member's VSI entitlement period. Beneficiaries who die after the member's date of death will have their portion of the VSI annual payment distributed to their estate. Such payments will be made in accordance with the laws governing the beneficiary's state of legal residence.

A Report of Existence (ROE) will be sent annually to each beneficiary to ensure the existence of all beneficiary recipients. To ensure continued payments the ROE must be promptly returned to Defense Finance and Accounting Service, Attn: Annuity ROE, PO Box 990811, Cleveland, OH 44199-8011.

Voluntary Separation Incentive (VSI) beneficiary payments are not subject to garnishment.

Voluntary Separation Incentive (VSI) beneficiary payments are not subject to offset. However, if a beneficiary is indebted to the Federal government, the debt may be collected from the VSI installment payments.

### **WHAT TO DO WHEN THE ANNUITANT DIES**

Notify DFAS by calling toll free 1-800-321-1080 or writing to Defense Finance and Accounting Service, US Military Annuitant Pay, PO Box 7131, London, KY 40742-7131. When reporting the death by telephone, please have available the social security numbers of both the deceased annuitant or VSI beneficiary and deceased member, the annuitant's or the beneficiary's date of death, and the name, address, and telephone number of the next of kin or other contact: also, indicate who will be sending a death certificate. The annuity ceases the end of the month prior to the month of death. Therefore, any annuitant payments received the month of death and after must be returned to avoid indebtedness. Immediate notification will help to alleviate this problem. For payments sent to a bank by direct deposit, the Defense Finance and Accounting Service will contact the bank directly to return the funds. Please ensure the annuitant's, or the VSI beneficiary's and the member's social security numbers are on all correspondence sent to this agency. Customer Service Representatives at DFAS, 1-800-321-1080 will help with any questions the caller may have.